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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

Electronic data-processing programme

Report by the Director-General

Summary

In compliance with General Conference decision GC.4/Dec.18, paragraph (h), reports on action taken as of 30 September 1992 on the programme and cost of implementing the recommendations of Touche Ross Management Consultants, of Andersen Consulting, and of the External Auditor, as contained in documents GC.4/CRP.1, GC.4/50, IDB.10/4 and a consultancy report presented at a briefing on 24 June 1992.

		Page
Annex I.	STATUS OF ACTION TAKEN ON PRIMARY RECOMMENDATIONS OF TOUCHE ROSS MANAGEMENT CONSULTANTS AND OF ANDERSEN CONSULTING	2
Annex II.	STATUS OF ACTION TAKEN ON RECOMMENDATIONS OF THE EXTERNAL AUDITOR	5
Annex III.	COST OF IMPLEMENTATION, 1 JANUARY - 30 SEPTEMBER 1992 . .	7

1. The General Conference in its decision GC.4/Dec.18, inter alia, took note of the updated report by the External Auditor on the electronic data-processing (EDP) system (GC.4/50), of the follow-up report by the Director-General on the recommendations of the External Auditor (GC.4/48 and Corr.1) and of the final report of Touche Ross Management Consultants (GC.4/CRP.1) and requested the Director-General, inter alia, to report to the subsequent sessions of the policy-making organs on the programme and cost of implementing the consultants' recommendations (GC.4/CRP.1) and those of the External Auditor (GC.4/50).

2. In compliance with that decision, information was provided to the Board at its ninth session regarding the status of action taken with respect to those recommendations as of 30 April 1992 (IDB.9/12 and Add.1). The present report provides an updated status of action taken with respect to the recommendations of Touche Ross Management Consultants and those of the External Auditor (GC.4/50 and IDB.10/4) and the recommendations that resulted from phase two of the "Strategic Automation Plan for UNIDO" in the report of the external consultants, Andersen Consulting, the highlights of which were presented in a management summary at a briefing to Member States on 24 June 1992.

3. Annex I provides those details, based on the recommendations of the two external consultancies. Annex II contains the recommendations of the External Auditor and the most recent action taken to implement them. As in the previous report on the EDP programme (IDB.9/12 and Add.1), annex III shows the 1992 cost of implementing that programme, updated as of 30 September 1992.

4. No new contractual commitments have been entered into since April 1992. Hence table 2 in the annex to document IDB.9/12/Add.1 remains valid.

5. In accordance with paragraph (i) of decision GC.4/Dec.18 in which the General Conference requested the Director-General to keep Member States fully apprised of the EDP programme, the next briefing on the subject was scheduled for 23 October 1992.

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Annex I

STATUS OF ACTION TAKEN ON PRIMARY RECOMMENDATIONS
OF TOUCHE ROSS MANAGEMENT CONSULTANTS[1]
AND OF ANDERSEN CONSULTING[2]

PRIMARY RECOMMENDATIONS	CURRENT STATUS
1. There is a need for a systematic review of procedures within UNIDO. This review must come about from a management initiative and cannot be led by EDP. There is too much duplication of effort and too much reliance on paper-based methods. (8.1.2)	1. As part of the second phase of the strategic automation plan it was recommended that a systematic review of procedures should be considered in administrative and substantive areas. The Department of Administration is streamlining its procedures with the primary focus on eliminating duplication of effort and reducing paper flow. Constructive revisions would have a direct impact on procedures currently in use in substantive Departments, warranting the re-organization of administrative support in those areas.
2. Charge codes for use of computer time should be set up, at a level low enough to ensure the collection of meaningful statistics, to be used as the basis for charging users. (8.1.1)	2. Reported in IDB.9/12.
3. An information technology steering group should be created. This group should ensure that distraction of EDP from their main task is minimized. (8.1.1)	3. Reported in IDB.9/12.
4. The information technology steering group should identify and sanction any proposed changes to packages. (8.1.3)	4. Based on the existing relationship with suppliers a number of cost reductions have been achieved to date. In line with the recommendation of Touche Ross, Andersen Consulting followed up on the subject and recommended that, in order to fully utilize the features of ADABAS and NATURAL, additional software packages be acquired as needed in the course of implementing the strategic plan. Proposals for acquisition of major packages will be presented to the Information Technology Steering Committee (ITSC).
5. Extensive training of EDP will be required in the use of new methods and tools. (8.1.3)	5. As a follow-up to this recommendation staff of the Management Information Services (MIS) were trained in NATURAL and related products in early 1992. In addition, a course on the Structured Systems Analysis and Design Methodology (SSADM) and Computer Aided Software Engineering (CASE) tools, including project management was completed in early September.
6. Further investment in current systems should be avoided. Maintenance of existing systems must be restricted to changes which are absolutely essential, even if this will undoubtedly lead to dissatisfaction in the user community. The commitment of management is vital to maintain the support and understanding of the user community during this difficult period. (8.1.3)	6. As part of their report Andersen Consulting have identified projects and made specific recommendations regarding priorities, inter alia, to give highest priority to those projects to reduce costs or which can immediately contribute towards an expansion of services related to the priority areas highlighted in the medium-term plan. The consultants estimated the total staff resources required for the recommended projects to be 660 staff-months, plus the equivalent of 130 staff-months of user involvement. Taking into account the current staffing level the implementation will not be completed before

[1] References in the column "Primary recommendations" refer to sections of the final report of Touche Ross (GC.4/CRP.1)

[2] Strategic Automation Plan - Phase 2 Final Report, Vienna, 16 June 1992

	1997. Priorities will be discussed by ITSC and adjusted to best fit the information needs of the Organization. MIS is preparing a plan to reach a balance of resources assigned to implementing new projects and maintaining or enhancing existing systems, taking into consideration additional recommendations of Andersen Consulting. These call for a reduction of maintenance to an essential minimum, the use of a "release" maintenance management concept, and the application of software re-engineering tools for major existing systems. Following on the ITSC meeting and in accordance with the recommendations of Andersen Consulting the understanding and support of management and the user community will be strengthened by appointing user liaisons or focal points at the divisional level for improved communication.
7. The use of package application software should be viewed as a primary source of new systems. (8.1.3) The option of obtaining a suitable package should be considered first and, only after dismissing this possibility should the option of developing in-house be considered. (8.3.1) Packages should only be chosen where the amount of customization needed can be kept to a minimum. (8.3.1) Changes to packages should be kept to a minimum and reflect only changes which are essential. (8.1.3)	7. Andersen Consulting have considered the use of package application software, but recognized that specialized requirements of applications limit the selection of package software. The recommendation to consider the option of using standard application software as an alternative to in-house development will be followed. The decision will be subject to cost benefit analysis. The option will be part of the system development methodology and will be reflected in the analysis of all future system development projects.
8. If FINSYS/PERSYS of FAO is put in place and modifications are needed, these should be contracted out, together with future maintenance, to a third party software house rather than build another skill set within UNIDO. (8.3.1)	8. As a result of the phase two study, and in contrast to the original recommendation of Touche Ross, Andersen Consulting does not recommend implementing FINSYS/PERSYS of FAO because (i) it is based on an incompatible and outdated software platform; (ii) FINSYS is still not operational to user satisfaction; (iii) FAO defines the staff requirements for systems maintenance to be in the order of 10 to 12 staff-years per calendar year of operation. Andersen Consulting recommended that UNIDO evaluate the Integrated Management Information System (IMIS) of the United Nations Secretariat in New York instead, and, after installation there in 1994, determine if IMIS could replace the in-house developed systems for administrative support. In the meantime implementation for the most important systems will continue within the framework of the strategic automation plan.
9. Parallel running is essential in the transitional period of testing a new system. Users and EDP have to support and operate both systems. This requires an increased amount of effort from all parties. (8.1.3)	9. The implementation of the SSADM systems development methodology and CASE tools can only be successful with a high degree of user involvement, including an increased effort during the period of parallel runs. This has been considered as part of the estimates prepared by Andersen Consulting.
10. EDP will need to have in place a formal process for managing development projects, analysing user requirements and for turning the requirements into quality applications. (8.2) For this, the PRINCE methodology should be used and PRINCE project boards put in place. (8.2.1) UNIDO should acquire a project management tool, running on a PC, to assist in the control of projects. (8.2.1) UNIDO should acquire a methodology to provide EDP with a clear structure for development and give a list of tasks to be performed at each stage in the systems development life-cycle: strategic systems planning, tactical systems	10. For the management of development projects Andersen Consulting have recommended a more cost-effective project management organization and methodology. This methodology is being established now; it will be supported by the use of a commercial project management tool. Both methodology and tools were discussed at a meeting of ITSC, and will be presented to that Committee again as part of the implementation policy. Based on the recommendations of Andersen Consulting UNIDO has selected SSADM for analysis and design, and has acquired this methodology together with a matching CASE tool. Two pilot projects using the methodology and

planning, systems analysis and logical design, selection of packages, building of custom-written systems, systems implementation. Automated tools should also be acquired to support the analysis and design stages (CASE tools). (8.2.2)	tools have been finalized with the assistance of those consultants, and a training course for development staff has taken place (cost AS 128,000).
11. DB2, CSP, AS, C, Fortran, Oliver and the VM products should be cancelled. ADABAS and NATURAL should become the strategic database products of UNIDO. (8.3.1, appendix II)	11. Reported in IDB.9/12.
12. No further new development work should be carried out using ADS1. (8.3.1)	12. Reported in IDB.9/12.
13. Better communications with the field need to be put in place. In the long-term, if and when it can be cost-justified, computer-based communications can be considered. (8.1.1)	13. Andersen Consulting has defined a project and provided a project description, in order to plan further investments in communications links, based on the requirements of the Organization and taking into account the facilities already available in most countries. This project will be an important part of the overall strategic plan.
14. The cabling programme should be resumed with the wiring of six floors in 1992-1993 and the remainder in 1994-1995. Priority should be given to those floors with greatest needs. (8.3.2)	14. Two floors have been cabled in 1992. It is further planned to cable two additional floors in late 1992/early 1993, after which only eight floors will remain to be cabled in future bienniums.
15. PCs in EPL/LD must be connected by means of a LAN. (8.3.2) The Wang VS processors should be phased out in approximately two years. (8.3.2, 8.3.3)	15. Phasing out of Wang equipment and full conversion to WordPerfect can be contemplated when sufficient funds are available for the acquisition of the hardware and software required. This will constitute a significant cost within the programme. Estimated costs ($460,000) have been included in the budget plan for the 1994-1995 biennium. Detailed estimates will be available once all technical details have been specified and competitive bidding has been completed.
16. To remove the Wang systems it will be necessary to adopt a standard of WordPerfect across UNIDO. (8.3.3)	16. Andersen Consulting has confirmed this recommendation. WordPerfect is included as UNIDO's text processing software in the policy as endorsed by ITSC.
17. PCs with WordPerfect must be provided to all staff who rely upon Wang for word processing. (8.3.3) Adequate training in WordPerfect must be provided. (8.3.3)	17. Together with the replacement of the Wang equipment and acquisition of software, training programmes are foreseen and are included in the budget plans for 1994-1995.
18. The acquisition of 90 PCs per biennium should go a long way towards satisfying UNIDO needs.	18. Andersen Consulting has supported the recommendation to use PCs as the primary platform for office automation activities (word processing, presentation graphics, electronic spreadsheets). For that purpose, as well as to support additional mainframe applications, 75 complete sets will be acquired in 1992-1993. It is envisaged that a similar number can be acquired in future bienniums, but owing to budgetary constraints, until the required coverage is reached, only 5 per cent of the acquired hardware can be used to replace obsolete or malfunctioning equipment.

Annex II

STATUS OF ACTION TAKEN ON RECOMMENDATIONS
OF THE EXTERNAL AUDITOR

PRIMARY RECOMMENDATIONS	CURRENT STATUS
1. A system should be established to spread all EDP non-staff costs among different user Departments. (GC.4/50, paras. 12, 45, 46)	1. A system to distribute non-staff costs to Departments is in place. The introduction of a project management methodology for information system development projects will result in applications development staff recording their time against specific projects. It is expected that during the next biennium a system to distribute staff costs for applications development and maintenance will be in place.
2. There is a need for other external consultancy services in order to proceed with implementation of the more technical Touche Ross recommendations as well as for other technical and organizational issues. (GC.4/50, paras. 15, 39, 61)	2. Phase two of the strategic automation plan was completed by Andersen Consulting with the preparation of a final report on 16 June 1992, and discussed at the briefing to Member States on 24 June 1992.
3. A disaster recovery plan should be worked out which would enable both UNIDO and IAEA to mutually provide a backup computer installation at no additional costs. (GC.4/50, paras. 16, 62-65)	3. The mainframe system disaster recovery planning is progressing along similar lines as the New York Computing Centre. Negotiations with IAEA are continuing with regard to a cost-free mutual back-up computer installation. Draft of guidelines for disaster recovery planning is available.
4. An information technology steering group should be established. (GC.4/50, paras. 17, 66-70)	4. Reported in IDB.9/12.
5. A system for managing, controlling and auditing automation projects should be introduced. (GC.4/50, paras. 18, 71-75)	5. Status reported under recommendation No. 10, annex I.
6. While UNIDO is making a major investment in modern information processing technology and techniques it is of vital importance for the realization of the Organization's goals to benefit as soon as possible from that investment without supplementary costs. This can be achieved mainly by increasing the efficiency and effectiveness of data processing and distribution. (IDB.10/4, para. 177)	6. The introduction of a methodology for information systems development; the application of CASE tools and project management; the re-organization of MIS Division which will result, inter alia, in improved forward planning to introduce the concepts of distributed processing; the creation of a handbook for systems development, as recommended by Andersen Consulting; and a user guide to UNIDO applications will increase the efficiency and effectiveness of data processing within the programme as indicated in document GC.4/CRP.1.
7. A major objective should be intensive training of the existing EDP staff in the use of modern data-processing techniques and tools, and of the end-users regarding the relevant applications and software packages. (IDB.10/4, para. 178)	7. MIS training accomplishments are reported above (para. 5, annex I). Andersen Consulting further recommend a training plan for MIS staff to enhance analyst skills, to build PC and PC-networks skills, to integrate PC and mainframe applications, and to build a basic knowledge of industry or de facto standards and new trends. For end-users, the existing PC software training will continue. In addition, in line with the standards for implementation and maintenance recommended by the consultants, new applications will include procedure and end-user documentation manuals and a training component to be conducted by developers.
8. Standards should be established and complied with, throughout the Organization as a whole, regarding the use of software packages (i.e. word processing, database products, spreadsheets) thus enabling the transfer of any document without conversion problems and/or duplication of efforts. (IDB.10/4, para. 179)	8. The first such standards regarding hardware and basic software have already been approved by ITSC, which will continue to do so as technology changes and/or the need arises. Andersen Consulting have recommended the integration of mainframe and PC applications. As a first step to simplify document and

	information transfer between platforms, an improved link was established between the mainframe and PCs to allow the transfer of data. Implementation of standard word processing is progressing within the limits of the budget.
9. It is also of great importance that EDP staff as well as the end-users will be highly motivated to accept the (new) tools and applications as a valuable support to their work. This applies to UNIDO staff at Headquarters as well as for field staff. (ID8.10/4, para. 180)	9. With ITSC as the appropriate body to accept tools, applications and training as well as the involvement of user liaisons or focal points within the Secretariat, it is expected that the required high motivation level will be maintained. MIS was restructured to provide better service to relevant areas of UNIDO.

Annex III

COST OF IMPLEMENTATION, 1 JANUARY - 30 SEPTEMBER 1992

(In US dollars at US$ 1 = AS 12.90)

	1992 allotments (1)	Disbursements 1/1-30/9/92 (2)	Obligations (3)	Expenditure (2 + 3) (4)	Balance (1 - 4) (5)
Staff costs	1,963,300	1,431,119	16,702	1,447,821	515,479
Income	(140,200)	(106,557)	-	(106,557)	(33,643)
Mainframe					
Hardware	853,200	632,292	201,714	834,006	19,194
Software	693,200	507,544	151,320	658,864	34,336
Operation and maintenance	1,057,300	1,057,300	-	1,057,300	-
Office automation					
Hardware	558,600	206,973	70,597	277,570	281,030
Software	51,000	3,759	10,114	13,873	37,127
Maintenance	376,600	221,672	95,880	317,552	59,048
Other					
Supplies and materials	256,000	39,909	36,066	75,975	180,025
Network	155,400	39,679	48,063	87,742	67,658
External computer costs	20,000	14,471	3,362	17,833	2,167
Training	143,100	99,630	14,928	114,558	28,542
Consultancy support	100,000	50,616	14,384	65,000	35,000
Software development	77,500	42,150	9,922	52,072	25,428
Income	(160,000)	-	-	-	(160,000)
Total	6,005,000	4,240,557	673,052	4,913,609	1,091,391

Notes:

1. Allotments represent the 1992 portion of 1992-1993 appropriations excluding inflation on non-staff costs.

2. Obligations include contractual commitments for 1992.

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PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE

Report on the agreement with the Government of Cameroon on the venue of the fifth session of the General Conference

Progress report by the Director-General

1. Following the progress report by the Director-General (IDB.9/4), and as requested by the General Conference in resolution GC.4/Res.30 and again by the Industrial Development Board in decision IDB.9/Dec.16, the present report briefly records further progress made on consultations held with the Government of the Republic of Cameroon regarding the holding of the fifth session of the General Conference at Yaoundé. In keeping with decision IDB.9/Dec.16, paragraph (f), the Director-General negotiated the necessary agreement with the Government of Cameroon. The signing of the agreement took place in Vienna on 2 November 1992.

ACTION REQUIRED OF THE BOARD

2. The Board may wish to take note of the present progress report.

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UNIDO ENVIRONMENT PROGRAMME

Response of UNIDO to Agenda 21

Report by the Director-General

Summary

Establishes a basis for the active involvement of UNIDO in the substantive and institutional follow-up to the implementation of Agenda 21: sets out the role of industrialization in achieving sustainable development; relates the capacities and experience of UNIDO to the various programme areas of Agenda 21, focusing on those areas to which UNIDO should respond; describes those instruments available to UNIDO which, when used in a mutually supportive fashion, will contribute to the implementation of the Agenda; and discusses the financial and institutional mechanisms for responding to Agenda 21, including cooperation within the United Nations system.

CONTENTS

		Paragraphs	Page
Introduction		1 - 4	1
Chapter			
I.	SUSTAINABLE DEVELOPMENT IN INDUSTRY	5 - 13	2
II.	AGENDA 21 AND THE ACTIVITIES OF UNIDO	14 - 26	3
III.	UTILIZATION OF UNIDO PROGRAMME INSTRUMENTS TO IMPLEMENT AGENDA 21	27 - 50	5
IV.	FINANCIAL AND INSTITUTIONAL MECHANISMS FOR RESPONDING TO AGENDA 21	51 - 61	8
V.	ACTION REQUIRED OF THE BOARD	62	9

Introduction

1. The objective of the United Nations Conference on Environment and Development (UNCED), held at Rio de Janeiro, Brazil, 3 to 14 June 1992, was to agree on a sustainable future course of development that would reconcile the growing development requirements of the world's population with the environmental resources on which they are based. After more than two years of extensive negotiations in preparation for the Conference, Governments adopted the following documents: the Rio Declaration on Environment and Development, the Declaration of Forest Principles and, most importantly, Agenda 21, as a basis for international action into the next century. Agenda 21 addresses wide-ranging issues with the focus on sustainable development. All four sections into which the 40 chapters are divided are of relevance to UNIDO: Section I, Social and economic dimensions; Section II, Conservation and management of resources for development; Section III, Strengthening the role of major groups; and Section IV, Means of implementation. In addition, as will be seen from the present document, the references to selected chapters of Agenda 21 illustrate the extent and importance of UNIDO activities in achieving sustainable development.

2. The issues agreed upon in Agenda 21 reflect actions required of Governments, governmental and non-governmental organizations (NGOs) and the private sector, as well as the United Nations system. Whereas implementing Agenda 21 will be mainly the responsibility of Governments, it was recognized that other groups such as NGOs and the private sector would have to participate fully in the efforts to attain sustainable development as opposed to the present patterns of production and consumption. It was also recognized that substantial additional resources would have to be made available to developing countries, while

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grants or concessional financing should be provided according to sound and equitable criteria. Furthermore, Governments agreed that international cooperation would have to be strengthened in order to achieve the objectives of Agenda 21. These objectives are enumerated under the heading "International institutional arrangements" of chapter 38 of Agenda 21, which states that:

(a) "All agencies of the United Nations system have a key role to play in the implementation of Agenda 21 within their respective competence" (para. 38.4); 1/

(b) "All relevant agencies, organizations and programmes of the United Nations system should adopt concrete programmes for the implementation of Agenda 21 and also provide policy guidance for United Nations activities or advice to Governments, upon request, within their respective areas of competence" (para. 38.7(b));

(c) In the same chapter (para. 28) it is noted that "all United Nations specialized agencies ... may consider ways of strengthening and adjusting activities and programmes in line with Agenda 21, in particular, regarding projects for promoting sustainable development. Furthermore, they may consider establishing special arrangements with donors and institutions for project implementation that may require additional resources".

3. In the light of the aforementioned, the following documents are being submitted for consideration by the Industrial Development Board at its tenth session under provisional agenda item 6:

(a) The updated UNIDO environment programme (IDB.10/17) (the original programme was first approved by Board decision IDB.6/Dec.7) is based on the recommendations and guidelines of UNCED, the views expressed by the General Conference at its fourth session and the results of the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID);

(b) The present document is a direct follow-up to UNCED. It should be read in conjunction with document IDB.10/17.

A third document, the medium-term plan of UNIDO, 1994-1999 (IDB.10/5 and Add.1), presented under provisional agenda item 4, establishes in its section on environment and energy the programmatic framework in the medium term for the implementation of the environment-related activities of UNIDO. Considering that the medium-term plan has been conceived as a rolling plan, subject to review from one biennium to the next, it will be updated continually in light of developments within the United Nations system, as well as on the basis of the experience acquired and requirements deriving from the implementation of Agenda 21 of UNCED.

4. The argument of the present paper is that the mandate entrusted to UNIDO to promote ecologically sustainable industrial development represents an essential component of the response by the United Nations system to the global challenge presented in Agenda 21. It is intended to initiate, through the present document, a process of discussion at the level of the policy-making organs and thus establish a basis for the position to be adopted by UNIDO in submissions to the proposed commission for sustainable development, which is foreseen to be established within the framework of the Economic and Social Council (para. 38.11).

I. SUSTAINABLE DEVELOPMENT IN INDUSTRY

A. The role of industry

5. At UNCED, conclusions reached have put the global community firmly on the road to sustainable development. Progress down that road will depend on adherence to the principles enunciated in the Rio Declaration on Environment and Development and on the achievement of the objectives of Agenda 21, which underscores the fact that sustainability entails addressing environmental issues as an integral part of the development process. Development in general, and industrial development in particular, cannot be sustained in the long term if the environmental perspective is ignored. Sustainable industrial development must become the primary, long-term goal of the global community.

6. Industrialization is the main instrument for generating income and employment and establishing the resource base for economic development. Industry also creates the physical resources - the industrial products, the industrial equipment - which are the sine qua non for the promotion of human settlements (via the building industry) or for the promotion of human health (via the production of medical consumables and medical equipment). National policy makers and the world community as a whole are increasingly endorsing the role of industry in primary areas such as strengthening the role of business and industry (chap. 30), and in related areas such as environmentally sound technology, cooperation and capacity-building (chap. 34), or national mechanisms for international cooperation for capacity-building in developing countries (chap. 37). Decision makers also recognize that industry has a fundamental role to play in any policy aimed at achieving sustainable development in areas as widely disparate as combating poverty (chap. 3), protecting and promoting human health (chap. 6), promoting sustainable human settlement development (chap. 7), promoting sustainable agricultural and rural development (chap. 14), and ensuring the environmentally sound management of biotechnology (chap. 16) and of solid wastes and sewage-related issues (chap. 21).

7. At the same time it cannot be gainsaid that if not properly guided through responsible action by all parties concerned, the industrialization process can lead to environmental degradation. However, these potential negative externalities can be avoided and controlled if suitable economic incentives are offered that encourage the adoption of sustainable production methods. Clearly, it makes economic sense for industry to adopt solutions that yield profit and engender environmental protection. Such solutions could apply to manufacturing, research and development, design and overall management strategies based on the principles of sustainability, while their industrial application can be affected by a host of internal and external factors. The response by

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1/ Paragraph references throughout the document relate to Agenda 21.

industry to sustainable development will depend on the extent to which environmental soundness and business profitability are seen to converge. The focus should therefore be on integrating sustainability considerations into industrial activities at both the macro and micro levels in order to avoid the potential negative externalities associated with industrialization and development.

B. The role of UNIDO

8. As a further step towards focusing its environmental activities and given the need to secure the views of Member States, UNIDO convened the Conference on Ecologically Sustainable Industrial Development (ESID), held at Copenhagen, Denmark, 14 to 18 October 1991. The deliberations of the Ministers at that Conference and subsequent discussions of UNIDO governing bodies provided guidance to the Organization on the actions to be taken with respect to discussions at UNCED and the follow-up.

9. At the Conference, the view was clearly expressed that "the continuing deterioration of the global environment was closely related to the unsustainable pattern of production and consumption, in particular in industrialized countries." It was also agreed that "in developing countries, environmental degradation was closely related to poverty and under-development, as well as to demographic patterns and pressures. The promotion of economic and social development was therefore seen to be essential to the protection of the environment." The Conference also noted "with concern the financial and technological constraints facing the developing countries in realizing the desired ecologically sustainable industrial development" (GC.4/25/Add.1, paras. 20-21).

10. Agreements on the industry-related issues at ESID were reaffirmed at UNCED. The conclusions and recommendations of UNCED have established that there is no contradiction between Development and Environment.

11. From the perspective of developing countries, the primacy of industrialization is beyond dispute, despite its potential environmental costs. More importantly, industrialization could become a cure for the developing countries' environmental problems, if an environmentally sound industrial development strategy is pursued.

12. In this regard, the importance of low-waste or clean technologies to the industrialization process cannot be over-emphasized. These cover high technologies, including biotechnology, as well as the improved management of conventional technologies. A number of case studies have been reviewed that substantiate the potential of new clean technologies not only to reduce industrial pollution drastically, but also to remain economically profitable in their own right. The substantial savings achieved in terms of materials and labour costs are often more than sufficient to offset initial higher investment costs. Low-waste or clean technologies also offer a way out of a potential conflict between industrial growth and environmental protection. Growth and environmental protection can go hand in hand with the help of clean technologies.

13. At the ESID Conference, the Member States entrusted UNIDO with the mandate to seek ways of incorporating the environmental dimension of industrial development more deeply into its advisory, research, operational and investment-related activities. Some major directions for UNIDO action emerged as conclusions and recommendations of that Conference and also serve to reinforce Agenda 21. These are:

(a) Assisting developing countries in building the technical and scientific capacity to develop, absorb and diffuse pollution prevention techniques and cleaner production processes essential to making the transition to ESID;

(b) Assisting in the implementation of international environmental conventions and protocols;

(c) Assisting developing countries in determining the environmental soundness of industrial technologies;

(d) Assisting developing countries in integrating environmental considerations into their industrial strategies and policies;

(e) Assisting developing countries in identifying appropriate, including new, financial resources, where possible on concessional terms, that would enable them to take the necessary steps to achieve ESID;

(f) Assisting other countries, upon request, in achieving ESID in accordance with the provisions of the UNIDO Constitution and relevant considerations of the General Conference and Industrial Development Board;

(g) Strengthening its existing database and its capacity to coordinate the dissemination of technical and policy information on ESID.

II. AGENDA 21 AND THE ACTIVITIES OF UNIDO

14. The scope of Agenda 21 calls for a careful re-examination of the roles and responsibilities of the agencies in the United Nations system. Steps are already being taken to establish principles for defining those roles. Pending the outcome of the system-wide deliberations, UNIDO considers that it can play a key role in the implementation of certain programme areas and chapters of Agenda 21. The relevant chapters elaborated below are divided into two categories. The first category shows those programme areas that are accorded high priority within UNIDO, based on the Organization's specific strengths as developed over the past 25 years. UNIDO regards these programme areas as the Organization's primary concerns, as they are based on a clear delineation of its role and on an efficient division of labour within the United Nations system. The second category includes those programme areas where UNIDO can play a key complementary role contributing to the implementation of system-wide efforts relating to Agenda 21 by making optimum use of the expertise and experience available throughout the specialized agencies. Future directions for UNIDO activities are further elaborated in the updated UNIDO environment programme (IDB.10/17), taking full account of Agenda 21.

A. Category 1

Integrating environment and development in decision-making (chap. 8)

15. The UNIDO strategic management approach is based on a process of consultations and cooperation between the Government and the private sector for the development of flexible and demand-driven technical and financial support programmes that enhance productivity and secure sustainable growth. Furthermore, the policy studies, System of Consultations and technology acquisition and negotiation programmes are all instruments geared to effecting a proper integration of environment into the decision- and policy-making process.

Protection of the atmosphere (chap. 9)

16. UNIDO addresses this issue in three ways: (a) by developing alternative clean fuel programmes (cleaner coal and oil, emission control); (b) by stimulating greater efficiency in combustion processes and energy conservation; (c) by supporting alternative clean energy sources (solar, hydropower, hydrogen). Both environmental and energy considerations are being increasingly integrated into UNIDO activities, stressing the development of sustainable energy systems.

Protection of water resources: the oceans (chap. 17); fresh water resources (chap. 18)

17. An integrated anproach to water management can ill afford to ignore industry, and the efficient use of water was thus emphasized at the ESID Conference. Over the years, UNIDO has been endeavouring to minimize the impact of industrial activities on the aquatic environment. Its objective is to improve industrial efficiency by reducing the quantity of water used, the waste water produced, and the extent of water-borne pollutants. Complementing such efforts, manuals, guidelines and technological information on the management of waste water will be prepared and disseminated.

Environmentally sound management of biotechnology (chap. 16)

18. UNIDO has recognized the enormous potential that biotechnology offers both industrial development and environmental protection and is currently enhancing the biotechnological capacity of some developing countries so as to enable them to take advantage of their potential. Appropriate mechanisms and centres, such as the International Centre for Genetic Engineering and Biotechnology (ICGEB), have been set up. Efforts have and will continue to concentrate on studies and capacity-building, enabling countries to identify and capitalize on opportunities in biotechnology, based on their own comparative advantages, as well as on direct technical assistance in applying biotechnology to industrial activities in health care, chemical production and environmental protection; and to promote biosafety through inter-agency collaboration aimed at developing a biosafety information network and advisory service.

Environmentally sound management of toxic chemicals, hazardous wastes and solid wastes (chaps. 19, 20, 21)

19. Solid and hazardous industrial waste can be reduced through improved process efficiency. This involves promoting cleaner technologies, minimizing waste at source, developing alternatives for erstwhile waste and promoting recycling. In UNIDO priority is given to safety in chemical production, especially with regard to hazardous operations and toxic chemicals. This approach covers operational, occupational and environmental safety in chemical production, and contributes to the sound management of toxic chemicals, thus complementing the work initiated by the World Health Organization (WHO) in collaboration with UNEP and the International Labour Organisation (ILO) of the International Programme on Chemical Safety (IPCS). UNIDO is currently negotiating to join IPCS.

Global action for women towards sustainable and equitable development (chap. 24)

20. The integration of women in industrial development is a cross-sectoral issue. The approaches employed by UNIDO include: promotion of gender-sensitive programme/project design; studies and research programmes to monitor the impact on women of new technologies and industrial restructuring; examination of issues related to health, safety and working conditions of women workers; development and dissemination of appropriate energy-saving and environmentally sound technologies for rural women; maintenance of quantitative and qualitative databases on women in industry; and provision of policy support to Governments and industry in creating a sustainable and enabling environment for the participation of women in industry; organization of training workshops to promote women entrepreneurs in selected industrial branches with specific emphasis on environmentally sound and energy-saving technologies.

Strengthening the role of business and industry (chap. 30)

21. UNIDO will analyse increasingly the role of business and industry with a view to advocating either the short- or long-term profitability of environmental protection through the use of clean or energy-efficient technology and energy conservation in industry. UNIDO will build on its prior experience of pollution prevention through product and process improvement, including plant modernization and rehabilitation. Business and industry in developing countries will be assisted in the adoption of processes and procedures that reduce demand on resources by industry and generate less industrial waste, inter alia, by devoting particular attention to environmental considerations in the operation and development of small- and medium-scale industries. Through demonstration activities such as cleaner production centres, UNIDO will foster the reduction of industrial waste in the production process. The investment promotion activities of UNIDO will play a major role in providing enterprises in developing countries with the means to approach sources of financing required for diversification of their products and services into environment-related areas.

Environmentally sound technology, cooperation and capacity-building (chap. 34)

22. Inherent in all efforts to promote sustainable industrial development is the need to select appropriate technologies based on social, technical, economic and environmental criteria and to develop the absorptive capacity for these

technologies. Support is also provided in the negotiation of technology transfer contracts in order to ensure that the transfer mechanism matches the needs and capabilities of the recipient. The efforts of UNIDO to assist developing countries in effective technology transfer will strengthen the ability of those countries to meet the obligations of international agreements relating to environmental protection, as outlined in the recommendations of ESID. For example, the transfer of appropriate technology reduces dependence upon technologies using chemicals damaging to the ozone layer; it is thus in accordance with the aims of the Montreal Protocol on Substances that Deplete the Ozone Layer. Similarly, appropriate technologies can minimize the quantities of hazardous wastes produced by industry, which supports the principles of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

Information for decision-making (chap. 40)

23. Adequate decision-making for industry is directly related to the adequacy of information available. UNIDO is working at three interrelated levels to provide information to developing countries: (a) collection and dissemination of industry-related environmental information to developing countries through a referral/clearing house system; (b) data and information collection, analysis and modelling as a basis for policy formulation and decision-making; (c) inclusion through the UNIDO feasibility study programme of environmental considerations in the calculation of the costs and benefits of potential investments. The Organization's activities also take on a further dimension in enhancing public awareness, with the public information programme advocating sustainable industrial development through the print and audio-visual media, among other approaches, and by promoting closer and continued linkages between UNIDO and developing-country counterparts, donors, the media and the public at large.

National mechanisms and international cooperation for capacity-building in developing countries (chap. 37)

24. Capacity-building permeates the many different layers of the Organization's response to Agenda 21. Its support to national capacity-building concentrates on three fundamental aspects of sustainable industrial development: (a) enhancing national capacities to incorporate environmental considerations into industrialization policy and strategies; (b) enhancing capacities to disseminate and analyse technological information; (c) improving capacities to analyse and exercise choices among technological options. Closely linked to technology cooperation, UNIDO's experience forms a substantial base upon which to continue, in cooperation with Governments, the United Nations system, NGOs and the private sector, to strengthen and amplify those activities.

B. Category 2

Combating deforestation (chap. 11)

25. On the basis of its experience and ongoing activities, UNIDO supports the concepts of Agenda 21 related to deforestation by promoting the value of forestry products, maximizing the return on forestry products and publicizing the use of secondary wood species, agricultural residues and non-wood products. The programmes include using agricultural residues such as cotton-stalk wastes for charcoal manufacture, non-wood fibres such as bagasse for paper manufacture, recycling waste paper and increasing the efficiency of pulp and paper mills.

Combating poverty (chap. 3); promoting sustainable agriculture and rural development (chap. 14)

26. The Organization's promotion of safer and more environment-friendly agro-chemicals such as pesticides and fertilizers and their formulations, should contribute to industry's role in the development of sustainable agriculture. It will also complement integrated pest management as well as add to the International Code of Conduct on the Distribution and Use of Pesticides. Furthermore, the assistance provided by UNIDO to such areas as low-cost housing, use of agricultural residues for energy, construction materials and pulp and paper will lend the necessary impetus to rural development.

III. UTILIZATION OF UNIDO PROGRAMME INSTRUMENTS TO IMPLEMENT AGENDA 21

27. Based on the three goals established at the ESID Conference - protection of the biosphere, most efficient use of man-made and natural capital and promotion of equity - the response will cover the following four dimensions of UNIDO activities:

(a) Assessing, monitoring and disseminating industry-related information (global, regional and national levels);

(b) Supporting policy formulation and negotiation (regional and country levels);

(c) Implementing operational activities in the field (sectoral, subsectoral and enterprise levels);

(d) Lending investment-related support to developing countries (enterprise level).

28. In order to achieve maximum impact, the UNIDO approach must take cognizance of those four dimensions and integrate them in the design of its activities. Thus, policies elaborated at the global, regional or national level can lead to the implementation of operational activities at the enterprise level, or conversely, activities at the enterprise level may yield results that are applicable at higher levels. All of these activities, in turn, can provide the basis for industrial investment promotion. The experience gained through its operational activities enhances the research and studies capabilities of UNIDO to provide relevant policy advice. The initial level, that is, the "entry point", at which an activity will be carried out, will depend on the specific situation of the country or region to be assisted, national policies adopted, the nature and scale of the problem to be solved and the target groups to be addressed.

29. UNIDO being an intergovernmental organization, its natural counterparts are the legislative, planning and regulatory bodies that deal with industrial and environmental issues.

The development of national capacities, however, is not confined to Government institutions. UNIDO has therefore forged close links with industrial sectoral or subsectoral institutions and research institutes, which are key elements in creating public awareness of environmental issues and contributing to the protection and management of the environment. Individual industrial enterprises (public and private sector) are the ultimate actors in implementing cleaner production technologies and pollution abatement measures. Interventions by UNIDO at the enterprise level will support an overall strategy and, as demonstration models, have a strong multiplier effect at the sectoral/subsectoral, national, regional and/or global levels.

30. As stressed throughout Agenda 21 and in the conclusions and recommendations of the ESID Conference, sustainable development can be achieved successfully with the full support of financial sources and the participation and involvement of target beneficiaries. The selection of the entry point mentioned above will therefore be effected through a participatory approach. UNIDO has different methodologies for that purpose. At the macro level, the strategic management approach can be used, as described in paragraph 15 above. In the development of technical cooperation programmes and projects, UNIDO can use the objective-oriented project planning methodology, which comprises a problem analysis in which all parties involved participate in identifying the problem, objective and alternative options. In its work on investment and rehabilitation at the programme and project level UNIDO has its well-tested methodologies for investment project appraisal and enterprise diagnostics which integrate the environmental dimension into the economic, financing, marketing and technical analyses. Through the use of these and other methodologies UNIDO ensures that the environmental aspects are given full consideration in all stages of the project cycle.

31. In support of the overall system-wide coordination, UNIDO will serve as a focal point for coordinating industry-related environmental activities at the country level. It will thus be in a position to provide advice to Governments on the horizontal integration of national, bilateral and multilateral activities in the field.

32. The individual programme instruments that UNIDO will use to carry out these activities are described below.

(a) Assessing, monitoring and disseminating industry-related information

33. UNIDO will apply two major programme instruments at this level: studies and research and information services. Their contribution to Agenda 21 is fundamental, as they provide the basis for interventions at the other three levels (as listed in (b), (c) and (d) of para. 27 above).

(i) Studies and research

34. The objectives of UNIDO studies and research include the monitoring and evaluating of current industrialization strategies, policies and trends at the global, regional and country, as well as sectoral levels; analysing major strategic issues related to industrial development; and acting as a focal point for the exchange of research on industrial and technology matters among members of the world industrial community. UNIDO makes the results of these studies available to Governments, the public and private sectors of industry, governmental and non-governmental organizations.

35. The UNIDO study programme pays special attention to supporting the required shift in industry-related environmental protection from damage control to preventive action. Emphasis is on designing appropriate industrial policies and incentive systems; defining the role of industrial research and development activities; and on harnessing market forces and the innovation potential of the private sector for improving the environment.

36. By including the consideration of environmental aspects in all its industry-related studies and concentrating on the environment in many of them, UNIDO will contribute to increasing environmental awareness in relation to industrial development. By so doing, it lays the foundation for the use of cleaner technologies and the reduction of pollution and waste, as well as showing ways in which industry can contribute to solving environmental problems in other sectors of the economy.

(ii) Information services

37. This instrument focuses on collecting, monitoring, analysing and disseminating industrial statistics as well as technological and other industry-related information through several UNIDO databases and information systems. The systems include an information programme specifically devoted to environment and energy, and operated jointly with the United Nations Environment Programme (UNEP). Through these systems, UNIDO will be able increasingly to grant users in developing and developed countries access to large bodies of knowledge, thus providing them with the basis for better-informed decisions that give adequate consideration to the impact on the environment.

(b) Support to policy formulation and negotiation

38. The studies and information activities described above constitute a basis for providing policy advice services primarily to Governments and other institutions involved in industrial policy-making. Demand for these kinds of activities is strong and growing as Governments increasingly require impartial advice on such critical issues as the incorporation of environment and natural resource aspects into their national industrial development plans and coordination of different environment-related industrial activities at the country level. In order to meet these requirements, UNIDO will offer assistance through its programme instruments as described below.

(i) Policy studies

39. UNIDO policy studies provide a coherent analysis of the critical environmental impact areas of a country's industrial sector or specific subsectors, such as the leather or chemical industries. These studies focus on many of the Agenda 21 programme areas, including: integrating

environmental and industrial decision-making; increasing energy efficiency in industrial production; conserving natural resources through more efficient production techniques; reconciling industrial development and human settlement issues; and promoting subregional, regional and global cooperation.

(ii) System of Consultations

40. Through its sectoral and participatory approach involving actors at the decision-making level, the UNIDO System of Consultations can effectively tackle issues of environment and safety at the subsectoral level. Environment-related recommendations adopted at the Consultations can provide useful inputs to the decision-making process at the governmental and industrial levels and also form the basis for follow-up by UNIDO in its operational activities.

(iii) Industrial technology promotion

41. Through this programme instrument, which encompasses a wide variety of promotional and information services, UNIDO provides policy makers and technology negotiators with working materials and guidelines that can improve their awareness of the importance of introducing environmentally sound technologies or of considering environmental aspects in negotiating contracts for infrastructure and industrial facilities.

(iv) The strategic management approach to industrialization

42. The formulation and implementation of effective development strategies and policies is a basic prerequisite for ESID. The UNIDO strategic management approach is based on a consultative process described in chapter II of the present document. This process facilitates a consensus on policies and measures that need to be taken in order to ensure that the ESID principles are adequately reflected in the industrial development process.

(c) Implementation of operational activities in the field

43. Recent international developments and their impact on the United Nations system as a whole, the need for specialized agencies to establish themselves as the internationally recognized "centres of excellence" in their respective fields of competence, all require a global response; this applies equally to the new challenges and opportunities deriving from closer economic interdependence and development issues of a global nature. UNIDO is increasingly emphasizing its ability to undertake "upstream" work based on the programme instruments outlined in paragraphs 33 to 42 above. Nevertheless, the major strength of UNIDO lies in its ability to apply this upstream work to the development and implementation of technical cooperation activities carried out at the request of developing countries. This ability will be instrumental in the role of UNIDO in implementing Agenda 21.

44. Sole reliance on market forces for the direct transfer of technology from developed countries is not always appropriate from the point of view of sustainability. Very often, production patterns that have been developed in industrial societies are of limited use to developing countries and can sometimes have a directly damaging effect. UNIDO operational activities, therefore, are aimed at promoting the transfer and adaptation of technologies appropriate to the situation and requirements of developing countries including the development of indigenous technologies, as well as of managerial, technical, administrative and research capabilities.

45. A major comparative advantage of UNIDO lies in its direct contacts with industry, allowing it to provide direct assistance at the factory level on the basis of the wide range of experience the Organization has gained in the assessment and identification of environment-related industrial problems.

46. UNIDO has developed and is implementing technological, engineering and training programmes directed towards solving these problems. Specific environment-related areas covered by these programmes include the management of toxic and hazardous wastes and the reduction of air and water pollution, where the choice of technology and equipment as well as its production and maintenance are of crucial importance.

47. The main types of environment-related operational activities are:

(i) Capacity-building activities, including those leading to the establishment of centres of excellence in technological areas, having direct relevance to environmental issues. The functions of these activities include: promoting awareness, providing scientists and engineers from developing countries with access to state-of-the-art scientific research, promoting cooperative research and implementing development and training programmes;

(ii) Pilot and demonstration plants aimed at the appropriate application and dissemination of new and advanced technologies in order to promote cleaner production techniques, and thus environmental sustainability;

(iii) Direct support to selected industries and institutions aimed at, for example, improvement of capacity utilization, modernization of existing plants, product diversification, introduction of newer, safer and cleaner technologies, quality control/assurance, waste minimization/management and streamlining management and operational activities.

(d) Investment-related activities

48. Attaining the objectives of Agenda 21 and, in particular, initiating and fostering the process of global sustainable industrial development can only be achieved on the basis of industrial investment in specific target areas. As one of the first international organizations involved in the mobilization of financial resources, both international and national, for the industrialization of developing countries, UNIDO has acquired a wide and possibly unique range of experience and knowledge of the investment process at the micro-level in the developing countries.

49. An important facet of the Organization's contribution to the attainment of the objectives of Agenda 21 in this area lies in its ability to

establish a two-way linkage between investment and technical cooperation. This means that investment-related activities could lead to technical cooperation and, conversely, technical cooperation could lead to investment promotion. This linkage is established within the context of country and subregional level policy analysis and normative policy. These activities will enable developing countries to gain access to and optimize utilization of environmentally sound technologies.

50. One of the strengths of the Organization in investment-related activities is reflected in its ability to implement a complete programme of pre-investment activities required for creating the basis for sustainable industrial development, covering all the key elements in the investment project cycle: from the appraisal of the economic, financial and technical and environmental viability of potential investment projects to the implementation of programmes for the mobilization of financial resources needed to promote those projects. The programme is supported by the UNIDO network of investment promotion offices and centres for industrial cooperation in the developed and developing countries.

IV. FINANCIAL AND INSTITUTIONAL MECHANISMS FOR RESPONDING TO AGENDA 21

51. As outlined in the preceding chapters, promotion of the industrialization of the developing countries, within the policy framework of sustainability, can be one of the most efficient ways of implementing Agenda 21. UNIDO has a primary role to play in assisting developing countries in promoting ecologically sustainable industrial development. The following lines of action would enable UNIDO to contribute to the implementation of Agenda 21 based on its comparative advantages, the specificity of its role within the United Nations system, its technical and substantive capacity and capabilities and the maximization of the use of existing and new funding sources and mechanisms. The latter aspect takes on particular importance in the light of the UNCED recommendation that progressive implementation of Agenda 21 should be matched by the provision of additional financial resources.

A. Use of existing financial mechanisms

52. As mentioned in Agenda 21 (chap. 33, para. 33.16), funding should be provided in a way that maximizes the availability of new and additional resources and which uses all available funding sources and mechanisms, including those of the relevant specialized agencies, which have designated roles to play in supporting Governments in implementing Agenda 21. Furthermore, it is stated in Agenda 21 that, within the context of its capacity-building activities at the country level, UNDP should make full use of the expertise of the specialized agencies. On the subject of investment, Agenda 21 states that "mobilization of higher levels of foreign direct investment and technology transfers should be encouraged through national policies that promote investment and through joint ventures and other modalities" (para. 33.17). The various mechanisms available to UNIDO for the mobilization of financial resources for industrial development offers a firm basis for assisting in the implementation of Agenda 21.

53. The Industrial Development Fund (IDF) is the main financing mechanism available to UNIDO for directing financial resources towards projects and programmes that relate to the Organization's priority themes. Contributions provided by special-purpose donors to the Fund for subprogrammes I and II of the updated UNIDO environment programme (see also IDB.10/17, para. 27) have already significantly strengthened the capacity to render industry-related assistance with regard to ESID and will continue to do so in the future. Analytical services in the form of sectoral and subsectoral studies will also be carried out within the framework of the technical support services at the programme level (TSS-1) activities of UNDP.

54. Preparatory activities in support of Agenda 21 in the form of sectoral, regional and country studies, as well as preparatory assistance projects, will be financed mainly from four sources: the general convertible component of IDF, as mandated in General Conference decision GC.4/Dec.21; the regular programme for technical cooperation; the UNDP Project Development Facility (PDF); and TSS-1 activities, based on a complementary use of funds, as requested in the Industrial Development Board decision IDB.9/Dec.7, paragraph (k)(iii).

55. Operational and investment promotion activities under subprogrammes III and IV of the UNIDO environment programme (IDB.10/17, para. 27), which address cleaner production and pollution abatement, respectively, are being promoted under the sources of funds available to the Organization (IDF, trust funds, regular programme for technical cooperation, Special Industrial Services, technical support services at the project level (TSS-2) and administrative and operational services (AOS)) based on the priorities and guidelines of the respective funds. The trust fund mechanism also enables the Organization to secure funds for environment-related projects in developing countries, offering flexible direct negotiations with industry and a rapid response by UNIDO at the plant level. In order to facilitate the planning, management and mobilization of resources, a programmatic approach will be followed whenever practical. This approach will offer a means of linking multilateral and bilateral resources in a coordinated programmatic thrust. It should be emphasized, however, that the success of the Secretariat's efforts to optimize the use of the available mechanisms and financial resources in addressing the programme areas of Agenda 21 will depend upon the provision of adequate funding to promote the contribution of industry to global sustainable development, as well as upon UNDP making full use of the experience and expertise available within the Organization.

B. New financial instruments and resources

56. At UNCED, it was recognized that substantial new and additional resources would have to be made available for sustainable development and implementation of Agenda 21. It was encouraging to note that "developed countries reaffirmed their commitments to reach the accepted United Nations target of 0.7 per cent of the gross national product for official development assistance (ODA) and, to the extent that they have not yet achieved that target, agree to augment their aid programmes in order to reach that target as soon as possible and to ensure a prompt and effective implementation of Agenda 21" (chap. 33, para. 33.15).

57. UNIDO is increasing its access to multilateral sources of financing for sustainable development, in particular those listed in the financial mechanisms of Agenda 21. It is currently working with the Interim Multilateral Fund to become the fourth executing agency of the Montreal Protocol on Substances that Deplete the Ozone Layer. UNIDO is also attempting to develop programmes consistent with the criteria and priorities of the Global Environment Facility (GEF), a $1.5 billion experimental facility set up for an initial period of three years. The Facility is managed by the World Bank, UNDP and UNEP and provides grants for investment projects, technical cooperation and research to assist developing countries in the transfer of environmentally benign technologies. UNIDO is also an observer at the Committee of International Development Institutions on the Environment (CIDIE), a forum chaired by UNEP with the aim of ensuring coordination among multilateral development assistance agencies in the area of environment.

58. Notwithstanding the above, it must be noted that close cooperation between the United Nations agencies and financial institutions is largely absent today. This is evidenced by, inter alia, the record to date of GEF, whose operational procedures are being revised following the outcome of UNCED. Specialized agencies have extensive experience in their respective fields, and many have solid and long-standing environmental programmes as well. They should be given first call on resources allocated to Agenda 21, particularly those originating with or managed by financial institutions or funding mechanisms of the United Nations system.

C. Follow-up at the international institutional level

59. UNIDO is fully committed to promoting close cooperation within the United Nations' inter-agency coordination mechanisms in order to play an active role in identifying and developing programming opportunities for specific areas of Agenda 21 relevant to its mandate.

60. However, despite the prominent role that UNIDO can and should play in the implementation of Agenda 21, the Organization was not invited to become a member of the ad hoc Administrative Committee on Coordination (ACC) Task Force on Environment and Development that was established by the Secretary-General of the United Nations to offer guidance on post-UNCED institutional arrangements. However, it is hoped that the Organization is enabled to play its due role in the policy deliberations of system-wide coordination. UNIDO has already conveyed a comprehensive note to the Task Force in which the Organization described its potential role in the implementation of Agenda 21, outlining its experience to date and likely contribution to specific chapters of Agenda 21.

61. Agenda 21 also envisages a commission on sustainable development being established within the Economic and Social Council in order "to provide for the active involvement of organs, programmes and organizations of the United Nations system ... and encourage the participation of non-governmental organizations, including industry and the business and scientific communities" (chap. 38, para. 11). Specific organizational modalities for the work of the proposed commission, such as its membership and its relationship with other intergovernmental bodies dealing with matters related to environment and development, will be determined by the General Assembly at its forty-seventh session. UNIDO will endeavour to participate actively in the proposed commission in order to be fully and actively involved in the system-wide coordination and monitoring of the implementation of Agenda 21.

V. ACTION REQUIRED OF THE BOARD

62. The Board may wish to take note of the present document and provide further guidance.

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ADMINISTRATIVE MATTERS

Representation of the UNIDO governing body on the UNIDO Staff Pension Committee

Report by the Director-General

1. In its decision GC.4/Dec.23 the General Conference decided to elect the following two members and two alternate members of the UNIDO Staff Pension Committee for the biennium 1992-1993:

Members:	Mr. P.N.G. Subramanian (India)
	Mr. E. Zador (Hungary)
Alternate members:	Mr. N. Ayadi (Algeria)
	Mr. J.S. Kramer (Netherlands)

2. In the same decision the General Conference authorized the Industrial Development Board to proceed with the election for any of the above-mentioned posts which might become vacant before the Conference holds its fifth session. Owing to the resignation from their respective functions on the Committee of Mr. Subramanian and Mr. Ayadi effective July 1992, the posts of one member and one alternate member have become vacant.

ACTION REQUIRED OF THE BOARD

3. The Board may wish to take note of the present report and to decide, in accordance with General Conference decision GC.4/Dec.23, to fill the vacant posts of one member and one alternate member for the remainder of the biennium 1992-1993.

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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

The financial situation of the UNIDO Country Director programme

Submitted by the Director-General

Summary

Draws the attention of the Board to the financial situation of the UNIDO Country Director programme under the various sources of funds, in particular the sectoral support funds of the United Nations Development Programme.

CONTENTS

		Paragraphs	Page
Introduction		1 - 2	1
Chapter			
I.	UNDP SECTORAL SUPPORT BUDGET	3 - 9	1
II.	OPERATIONAL BUDGET	10 - 12	2
III.	VOLUNTARY CONTRIBUTIONS	13	2
IV.	CONCLUSIONS	14 - 22	2
V.	ACTION REQUIRED OF THE BOARD	23	3

Introduction

1. The Programme and Budget Committe at its eighth session, in its conclusion 92/13, recommended to the Board for adoption at its tenth session a draft decision requesting the Director-General to submit to the Board at its eleventh session a report on the financing of the UNIDO Country Director (UCD) programme. In paragraph (iii) of that same decision, the Committee considered that the target of 50 UCD posts be reached or at least maintained at the present level, and that that goal needed financing from an appropriate combination of sources. Given the acute financial constraints facing the UCD programme at present and in order to enable the Board to consider this issue before the next session of the Governing Council of the United Nations Development Programme (UNDP), which is to be held in February 1993, the Director-General has decided to submit the present report to the current session of the Board.

2. At present the UCD offices are funded from three sources: UNDP sectoral support, UNIDO operational budget and voluntary contributions under the Industrial Development Fund. As indicated in the report of the Director-General to the ninth session of the Board (IDB.9/8, para. 3), a total of 39 posts were foreseen for 1992 to be financed as follows:

Funding source	UCD posts
UNDP sectoral support	26
Operational budget	10
Voluntary contributions	3
TOTAL	39

I. UNDP SECTORAL SUPPORT BUDGET

3. In its decision 91/34, paragraph 2, the UNDP Governing Council decided on an annual allocation of $3.8 million of sectoral support funds for the UCD programme, amounting to an indicative funding level of $19 million for the fifth programming cycle (1992-1996). This level of funding will not be sufficient to maintain the posts currently financed by UNDP throughout the cycle.

4. When the estimates of expenditures for the year 1992 were calculated, UNIDO relied to a large extent on the historical costs of the UCD (former SIDFA) programme financed and administered by UNDP

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prior to 1990. The annual UNDP-financed UCD costs for the years 1987-1990 were either lower than the sectoral support allocations or covered by unutilized funds carried forward from preceding years. The calculation of more accurate estimates for 1992 based on the years 1990 and 1991 was complicated by the delay in the receipt and processing of field charges for those years. The final expenditure reports for 1991, for example, will not be available before the end of 1992.

5. The financial experience to date and projections for the remainder of 1992 indicate that the annual sectoral allocation from UNDP of $3.8 million is insufficient to fund the number of UCD offices currently financed by UNDP. The costs of UCD posts and local support costs in 1992 are expected to be substantially higher than previously envisaged. The annual international costs have increased steadily since 1989 and are projected to be at a level of $3.5 million for 1992. These costs comprise salaries, staff entitlements (common staff costs) and international duty travel of UCDs. The local costs in support of the UCD offices have also increased substantially during this period as UNDP continues to shift the burden of administrative costs, including the increased and unforeseen costs for security measures, to the United Nations agencies sharing the same offices. The local costs are thus now estimated to be at $1.8 million for the year 1992. Total estimated expenditures of $5.3 million in the first year of the fifth cycle are expected to exceed the annual funding from UNDP sectoral support by approximately $1.5 million. On completion of the review of obligations relating to 1991 currently being undertaken, the shortfall could be reduced by $0.1 million to $1.4 million. The impact of the shortfall in 1992 will be a reduction in the level of funding envisaged for the remainder of the fifth cycle.

6. The average annual cost of maintaining each UCD office for the years 1992 to 1996, including an estimate of 5 per cent per annum for inflation and other cost increases is estimated as follows:

Year	Average annual cost (in US$)
1992	221,000
1993	231,000
1994	242,000
1995	254,000
1996	266,000

The financing of 26 offices in 1993 would cost approximately $6 million, thereby exceeding the annual allocation of $3.8 million by $2.2 million. It is therefore clear that UNIDO would not be able to maintain the present number of field offices without an increase in resources.

7. In the event that additional financial resources cannot be identified, for the period 1993 to 1996 UNIDO would be obliged to reduce by 11 to 12 the number of UCD offices funded by UNDP sectoral support from the current number of 26, resulting in an average annual number of 15 or 14 offices. This assumes that the shortfall in 1992 could be met by a more flexible utilization of the annual allocation for the remainder of the fifth cycle. However, this will only provide a temporary solution.

8. The Director-General has had consultations on the financial situation of the UCD programme with the Administrator and Associate Administrator of UNDP, the last of which took place in September 1992. In these consultations, UNDP has shown much understanding for UNIDO's predicament. The possibility of a change in the yearly allocation within the fifth programming cycle (see para. 7 above) was discussed. It was agreed, however, that the matter would have to be brought to the attention of the Governing Council by the Industrial Development Board. Furthermore it was clear that it would provide a temporary solution for the present year, but would not be a viable solution for financing the UCD programme in the future.

9. In paragraph 4 of Governing Council decision 91/34, the Council decided that the sectoral support programme be reviewed in 1993 as part of the evaluation of the new support cost arrangements. While this review is to be undertaken in consultation with the other agencies forming part of the sectoral support programme, it is of the utmost importance to include the issue of financing of the UCD programme in those consultations.

II. OPERATIONAL BUDGET

10. The programme and budgets for the 1992-1993 biennium provide for 10 UCD posts to be financed under the operational budget.

11. Paragraph 3 of UNDP Governing Council decision 91/34 invites the Board to address the question of financing of UCDs in the light of the successor arrangements to support costs. As a result of the successor arrangements, UNIDO's support cost income from UNDP is expected to drop drastically, thereby affecting the operational budget of UNIDO and its ability to continue financing the UCD programme as at present.

12. Given the importance attached by Member States to UNIDO field representation and notwithstanding the financial difficulties currently experienced in the operational budget, every attempt will be made to maintain the current number of posts under that source of funds through 1993.

III. VOLUNTARY CONTRIBUTIONS

13. In 1992, voluntary contributions provided for the financing of three UCD posts (one by Germany and two by Italy). Those funds will be fully utilized by the end of 1992 and the Secretariat is soliciting additional voluntary contributions from donor countries to avoid a further reduction of three posts in the 1993 budget. Should those efforts not succeed, the three posts financed by voluntary contributions would have to be dropped.

IV. CONCLUSIONS

14. In view of the situation described above, there is a necessity for the Board at its tenth session to consider inviting the UNDP Governing Council at its forthcoming session in February 1993 to consider an increase in the yearly allocation for sectoral support for the fifth programming cycle, so that the present number of UNDP-financed UCD posts may be maintained to the extent possible.

15. The maintenance of 26 posts financed by UNDP through 1996 would require an allocation of $31 million. Given the limited possibility that UNDP would raise the allocation for the UCD programme to the level of $31 million, it is proposed that a request for an increase of $5 million over the current allocation of $19 million for the UCD programme be addressed to the UNDP Governing Council for its consideration. This would bring the total resources available to the UCD programme received from UNDP to $24 million for the whole of the fifth cycle. Such an increase will still entail a reduction in the number of UNDP-funded UCDs as shown in table 1 below.

Table 1

Proposed financing schedule A for UCD posts (1992-1996)

Year	No. of posts	Average costs (in US$)	Total requirements (in millions of US$)
1992	26	221,000	5.2 a/
1993	26	231,000	6.0
1994	17	242,000	4.1
1995	17	254,000	4.3
1996	17	266,000	4.5
		TOTAL	24.1

a/ Includes anticipated amount of $100,000 carried forward from 1991 and savings owing to vacancies in 1992.

16. Alternatively, in the event that the UNDP Governing Council is unable to approve additional recources requested by UNIDO to maintain the present level of posts, UNIDO would have to reduce the number of posts during the fifth cycle as shown in table 2 below. For the proposed distribution of posts during the cycle an adjustment of the annual allocations provided for in paragraph 2 of Governing Council decision 91/34 would be required.

Table 2

Proposed financing schedule B for UCD posts (1992-1996)

Year	No. of posts	Average costs (in US$)	Total requirements (in millions of US$)
1992	26	221,000	5.2 a/
1993	20	231,000	4.6
1994	14	242,000	3.4
1995	12	254,000	3.0
1996	10	266,000	2.7
		TOTAL	18.9

a/ Includes anticipated amount of $100,000 carried forward from 1991 and savings owing to vacancies in 1992.

17. Since in both alternatives the number of posts will have to be reduced, a thorough review of the allocation of posts will have to be made, taking into account the contribution of each post to UNIDO's overall programme.

18. In order to minimize the impact in the number of UCD posts owing to the reduction in income to UNIDO as a result of the new successor arrangements, the Director-General intends on a trial basis to combine the functions of UCDs with those of the Regional Advisers, posts for which are included in the regular budget.

19. Similarly, the Director-General also intends, on a trial basis, to consider the appointment of National Senior Officers as national UCDs.

20. In view of the current financial situation of UNIDO and in line with previous decisions of policy-making organs (e.g. IDB.8/Dec.14, GC.4/Res.4), Member States should consider increasing their voluntary contributions to the UCD programme to permit an increase in the number of posts. Likewise, host Governments will need to contribute increasingly towards the local operating costs of UNIDO field offices.

21. The above considerations should be without prejudice to the ongoing discussions on the restructuring of a unified United Nations field representation system, since it is to be assumed that the present arrangement of an integrated UNIDO field representation in the UNDP field offices would continue.

22. Furthermore, as pointed out in paragraph 9 above, it is of the utmost importance that the review of the sectoral support programme, which is to be carried out in 1993 as part of the evaluation of the new support cost arrangements, include the issue of financing the UCD programme, with a view to ensuring the continued participation of UNDP in the financing of UCDs at an appropriate level.

V. ACTION REQUIRED OF THE BOARD

23. The Board may wish:

(a) To take note of the present report and to request the Director-General to continue consultations with UNDP on the most appropriate financing arrangements that would permit the maintenance of the maximum number of UNDP-financed posts for the fifth programming cycle;

(b) To invite the Governing Council to consider (i) approving an increase of the annual allocation for the UCD programme to permit the maximum number of UCD posts possible and, pending such a decision (ii) to authorize the Administrator as an interim measure to adjust the yearly allocation within the total resources approved for sectoral support in accordance with paragraph 15 of document IDB.10/34;

(c) To invite the Governing Council to consider the financing of the UCD programme in the review which is to be undertaken in 1993 on sectoral support in accordance with paragraph 4 of Governing Council decision 91/34;

(d) To request the Director-General to report to the Board at its eleventh session on the follow-up to the present report.

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United Nations Industrial Development Organization

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Tenth session
Vienna, 2-6 November 1992
Item 4 of the provisional agenda

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

The financial situation of the UNIDO Country Director programme

Submitted by the Director-General

Corrigendum

Page 3, subparagraph 23 (b), penultimate line

For paragraph 15 read paragraph 16

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LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

1. Reference is made to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO, contained in document UNIDO/GC.1/3. According to Annex I to the Constitution, the Lists of States to be included by the Depositary (Secretary-General of the United Nations) in that Annex are the lists determined by the General Assembly of the United Nations for the purpose of section II, paragraph 4, of General Assembly resolution 2152 (XXI), as in effect on the date the Constitution entered into force, namely on 21 June 1985.

2. As of 30 October 1992, 159 States had become Members of UNIDO. Of these, 155 are shown in the Lists of States to be included by the Depositary in Annex I to the Constitution (see overleaf). The following four States have recently become Members of UNIDO but are not included in any of those lists:

State	Date of accession
Armenia	12 May 1992
Croatia	2 June 1992
Slovenia	11 June 1992
Bosnia and Herzegovina	1 October 1992

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter will be brought to the attention of the Conference at its fifth session.

3. The present note supersedes document IDB.9/18.

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A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Djibouti
Egypt
Equatorial Guinea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kenya
Kuwait
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Vanuatu
Viet Nam
Yemen
Yugoslavia
Zaire
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Australia
Austria
Belgium
Canada
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland
United States of America

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Bulgaria
Belarus
Czechoslovakia
Hungary
Lithuania
Poland
Romania
Russian Federation
Ukraine

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ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

ADMINISTRATIVE MATTERS

Statement of the staff of UNIDO

Submitted by the President of the Staff Council of UNIDO
through the Director-General

CONTENTS

		Paragraphs	Page
Background		1	1
Introduction		2 - 6	1
Chapter			
I.	ITEM 11 OF THE PROVISIONAL AGENDA: ORGANIZATIONAL AND STAFF STRUCTURE	7 - 19	2
II.	ITEM 13 (b) OF THE PROVISIONAL AGENDA: RECOMMENDATIONS OF THE INTERNATIONAL CIVIL SERVICE COMMISSION	20 - 24	4
III.	FOLLOW-UP TO PREVIOUS STAFF STATEMENTS	25 - 28	4
IV.	CONCLUSION	29	5

Background

1. The present document is submitted to the Board under two of the provisional agenda items, i.e. item 11 on organizational and staff structure of UNIDO and item 13 (b), on Administrative matters: International Civil Service Commission. It is submitted in accordance with General Conference resolution GC.4/Res.29 in which the Chairperson of the Staff Council through the Director-General is invited to provide for consideration to Member States during regular sessions of the Board, if necessary, the views of the staff on matters such as pursuing an effective career development structure for staff members, the staffing within the Secretariat and greater job motivation for staff.

Introduction

2. When the twentieth century enters the annals of history a few years from now, it will not be leaving the world in a pretty state: the dreams and ambitions of mankind which were thought to be the panacea of nineteenth century ills have largely been fulfilled, but at what cost? Improved health has prolonged life, yet the world has little time or inclination to care for its elderly. Lower infant mortality has resulted in a severe disproportion between the number of mouths to feed and the amount of food to go round. Industrialization has wreaked havoc with the balance of nature, and improved communications, air travel and the gradual opening-up of the world have correspondingly opened people's eyes to discrepancies in standards of living, raised individual expectations and have been the cause of widespread bitterness and political strife. Education is within the reach of a growing number of the world's population - yet unemployment in the industrialized countries has reached unprecedented proportions. The fundamental desire of every nation for independence and autonomy has severed many States from their autocratic yet protective step-parents. Peace is as elusive now as ever, and technological development has ensured that warfare today is more devastating than during the most bloody periods of history.

3. If one poses the question as to which twentieth-century development has had the greatest impact on humanity, replies will range from the supersonic jet to the paper handkerchief. Although we admit to being prejudiced, we - the staff of the United Nations and its specialized agencies - like to believe that the establishment of a world forum, where representatives of every nation can sit in one room together, discuss, argue perhaps, but ultimately talk to each other, is the most phenomenal development in recent history. We cannot pretend that the United Nations can cure the world's ills (at least, not tomorrow), but it can and does provide the opportunity to

seek common solutions and this is the constant miracle of the United Nations. Notwithstanding, we are all too aware of the growing amount of criticism levelled against the United Nations common system in the international press. While it is easy to shrug off "United Nations-bashing" as a popular sport, this would be the ostrich tactic. Rather than bury our heads in the sand, we should take a long, hard look in the mirror and try to identify and correct some of the flaws attributed to our organizations.

4. There is a tendency among United Nations sceptics to confuse the Secretariat with the body of Member States. The public is largely unaware that the policy decisions taken within our organizations are the results of prolonged bouts of political ping-pong. United Nations sympathisers, on the other hand, quite unrealistically and erroneously view the United Nations as the world's foremost charity, where the richer nations empty the contents of their coffers into the waiting hands of the poorer countries.

5. Although the United Nations has to serve the interests of all Member States, more than a grain of altruism on the part of the developed world is essential if it is to achieve any of its goals. It was this same spirit of altruism and idealism which prompted many of its staff in the first place to seek employment with the United Nations. While, undeniably, heads of families cannot afford to sacrifice their families' security for some voluntary crusade, many consciously sought out the United Nations as an alternative to the dog-eat-dog world of international business. They accepted lower salary scales and limited job prospects in return for the chance to help the disadvantaged and assist developing nations to achieve fulfilment.

6. The staff is, consequently, deeply disappointed at the lukewarm attitude of some Member States to the Organization, reflected not only in their lack of financial commitment but in their reluctance to provide a firm direction for the future. We realize that there is little we can say or do to change this stance. If a particular agency, or indeed the United Nations system as a whole, fails to arouse the interest of a particular Member State, then no appeal for solidarity or goodwill will be of any avail. What the staff can do, however, is to make its considered opinions known, and the staff of UNIDO is particularly grateful that the representatives of its Member States actively seek the views of the staff. This has been especially true during discussions on a new structure for UNIDO as well as the managerial reorganization. The annual statement of the staff to the Industrial Development Board provides a regular opportunity for the staff to present its views to Member States, while informal contacts initiated by representatives of Member States between sessions permit an up-to-date awareness of the views of the staff on crucial issues as they arise.

I. ITEM 11 OF THE PROVISIONAL AGENDA: ORGANIZATIONAL AND STAFF STRUCTURE

A. Staff reductions proposed by the Secretariat

7. Against the dismal global background described above, the staff would be naïve indeed to imagine that UNIDO alone in the United Nations system could sail through the current storm unscathed. The reluctance of a growing number of Member States to honour their financial commitments to the international organizations is not a phenomenon unique to UNIDO; many other organizations are suffering similar crises, although it is interesting to note that the secretariats of the World Bank, the European Community and the Organisation for Economic Cooperation and Development are not among them.

8. Cuts in work programmes to match a trimmed-down budget are the inevitable consequence of the disparity between the frequently pronounced wishes and desires of Member States and the inflexibility of their purse-strings. If the staff were to protest that a reduction in the work programme of the Organization is unlikely to hasten the industrial development of the developing countries and thus bring the goals of UNIDO closer to fruition, then doubtless the staff would be suspected of ulterior motives. The illogicality of a situation where, year after year, the policy-making organs pile greater and heavier responsibilities on the shoulders of our Organization, yet in the same breath utter the monotonous refrain "zero-growth budget", is a constant source of puzzlement. Indeed, the staff has often voiced its deep disappointment at what it perceives as a callous disregard on the part of some Member States for the well-being of the Organization. The determination and dedication with which those same Member States pursue senior posts in the international organizations at the expense of the career development of existing staff is rarely reflected in their commitment to the day-to-day running of the organization concerned.

9. Self-interest is not the prerogative of Member States but also appears to be the guiding principle in management's response to the financial crisis. The contingency measures to which the Secretariat ostensibly resorted to alleviate the financial crisis did not include any likely to offend the susceptibilities of Member States. Some concrete crisis measures could have been taken and those proposed by the staff - but apparently ignored - included:

(a) Strict adherence to the current mandatory retirement age;

(b) Recruitment freeze, particularly for the figurehead posts in senior management;

(c) Restrictive travel, especially for those who are simply "waving the flag" of UNIDO. Pleasant as it may be for senior staff to roam around the world and their home countries on good-will missions, travel funds in time of crisis should be reserved for programme delivery;

(d) Reduction in the number of consultancy contracts offered. The staff could cite numerous examples where tailor-made assignments are offered through the old-boy network;

(e) Agreed terminations. Given the current state of staff morale, there may be a surprising number of volunteers for "golden handshakes";

(f) A review of selection criteria, terms of reference and contractual status of UNIDO field staff, including the UNIDO Country Director programme and its cost effectiveness.

10. It would have taken great courage to have introduced the above measures which would

doubtless have entailed stepping rather firmly on the toes of some Member States. Political expediency rather than business sense has dictated management's decision to reduce the number of staff as a response to the financial crisis. The kowtowing of management to those very States who, by their intentional neglect of the Organization are speeding its downfall, can only serve to increase the staff's lack of confidence in, and respect for, UNIDO's top echelon.

11. In paragraph 17 of IDB.10/27, reference is made to the Director-General's plan for staff reductions which has "taken account of the concerns of Member States". The staff cannot confirm or deny that any such plan exists. It can simply say that, to date, no plan has been discussed with staff representatives and that, were it to exist, it most definitely does not take into account the views, concerns or suggestions of the staff since these have not been solicited.

12. Although, ideally, the Staff Council would like to maintain the current level of staffing, it is well aware of the financial constraints. It is concerned, however, about the appropriateness and effectiveness of a staff reduction plan left solely in the hands of senior managers, not to mention the transparency, fairness and objectivity of such an exercise. Regrettably, past experience has done little to generate trust. The Staff Council would strongly support the immediate establishment of an impartial staff/management body to look at reassignments and extensions of contracts.

13. The staff believes that greater emphasis should be given not only to a well-defined retraining plan, but to the familiarization and involvement of staff in all aspects of the work of the Organization. This would lead to more flexibility and efficiency, heightened cooperation and a greater sense of belonging. It would also raise staff morale at a time when it has plunged to new depths. Vacancies through natural attrition could be filled internally following procedures which would ensure a fair chance of career development for all, and additional training offered where necessary. Except in the very rarest instances, a recruitment freeze is one of the first measures which should be introduced in times of crisis. The perennial, somewhat ghoulish cry for new blood is perceived by many staff as a sop to Member States, anxious to place their nationals on board.

14. As far as the restructuring of UNIDO is concerned, the staff explained its views to Member States in paragraphs 29 to 33 of its statement to the eighth session of the Board (IDB.8/49). Suffice it to reiterate a concern that has been expressed on two previous occasions, namely that there was little involvement of the staff in the development of the new manning table, which was often perceived as paying lip service to the wishes of Member States as well as providing appropriate slots for the most senior staff already on board. The present exercise will need to be conducted with great care and caution if it is to dispel past perceptions.

B. The role of management

15. While most of UNIDO's problems would disappear in a flash if Member States were to pay their arrears in assessed contributions, the staff is well aware that this is not the sole hurdle which stands between UNIDO and the winning post. Indeed, in our more cynical moments, we cannot help wondering whether management is occasionally using the financial crisis as a convenient cover-up for its own shortcomings. Loyalty to the Organization does not imply turning a blind eye to its weaknesses and errors any more than it involves gratuitous mud-slinging at senior managers. By exposing problem areas whether real or perceived and preparing constructive remedial proposals, the staff does not believe that it is trespassing on the territory of management, nor is it washing its dirty linen in public.

16. Setting aside the purely material benefits of employment, the staff of UNIDO like workers the world over, wants to be efficient and effective. There is nothing more stultifying than uselessness, and yet the staff of UNIDO is becoming progressively demoralized and frustrated at the apparent lack of vision and direction in the Organization. Have Member States given the necessary signals to the Director-General and his senior managers? The staff itself is unsure of the current aims and objectives of UNIDO. The restructuring exercise has been one giant, protracted confinement plagued with every complication imaginable. As things stand at the moment, a still-birth may be preferable to other alternatives.

17. Staff members have been further confused by the constant shifting of priorities in UNIDO. The current emphasis on studies seems at odds with the Organization's former bias in favour of technical cooperation. The introduction of the United Nations Development Programme successor arrangements has undoubtedly resulted in an adjustment in focus, but this does not appear to have been reflected in the day-to-day running of the Organization.

18. The United Nations Headquarters has embarked on a series of reforms which are aimed at effecting economies and "depoliticizing" posts below the level of Under Secretary-General. Indeed, several high-level posts have been abolished, and corresponding changes introduced in such areas as conference services and personnel. The decentralization of personnel administration will place greater responsibility on the heads of departments, and at the same time break the monopoly which Personnel has enjoyed on the selection, career development and continued employment of staff. The staff will not argue that power wielded wisely by one set of hands is preferable to a possible unequal dissipation of responsibilities. While the United Nations formula would have to be tried and tested before being introduced in UNIDO, it would be worth further examination within the framework of the restructuring exercise.

19. The imminent change in leadership in the Organization would be an appropriate time to introduce a new approach to management. In this connection, the Staff Council on behalf of the staff of UNIDO, shared with the Permanent Missions its views on the type of leadership it visualizes for the future. A management style which was valid when UNIDO was part of the United Nations or during the first years of its autonomy as a specialized agency, may not necessarily represent the ideal formula for UNIDO as it reaches maturity. Member States understood the intentions of the staff to contribute constructively to the process of shaping the new UNIDO.

II. ITEM 13 (b) OF THE PROVISIONAL AGENDA: RECOMMENDATIONS OF THE INTERNATIONAL CIVIL SERVICE COMMISSION

20. The note by the Secretariat submitted to the current session of the Industrial Development Board under the symbol IDB.10/28 implies that, as far as the International Civil Service Commission (ICSC) is concerned, all is right with the world. The General Assembly may well reaffirm the role of ICSC as the independent technical body responsible to the Assembly for the regulation and coordination of conditions of service, but the fact of the matter is that the Commission has failed dismally in that role. The Commission is as little technical as it is independent. As has been pointed out by FICSA on numerous occasions, it includes retired diplomats, rankled that their own pensions do not match those of the United Nations system and former international civil servants who failed to reach the top of the ladder, while those commissioners who do have a technical edge are under instructions from their own Governments.

21. A clear example of the Commission's intentions is its review of the General Service salary survey methodology. Unlike Professional salaries which are, for better or worse, tied to the common system, the remuneration package of General Service staff is based on local conditions at the duty station. This is a logical point of comparison, since by and large General Service staff are recruited locally and UNIDO has to compete with outside employers in Austria for qualified staff (as do other United Nations agencies in their particular duty stations). Naturally the exigencies of service in a multinational, multicultural organization require specialized qualifications, including linguistic aptitude which is in short supply and thus highly prized by rival employers. Since German is not a working language of UNIDO, all General Service staff have to be able to work competently and full-time in English (or in some instances, other United Nations languages). Most secretarial staff are actually tested before recruitment on their ability to correct texts prepared by their (non-English mother-tongue) supervisors and are thus expected to demonstrate language abilities superior to those of their Professional colleagues who were recruited on the basis of their professional expertise, academic qualifications and experience. Since these standards are rarely if ever exacted by comparator firms, an additional language factor of 4 per cent was added to General Service salaries in Vienna and Rome, where, unlike Geneva, London, Paris and New York, the local language is not one of the official languages of the organization. The rationale for the inclusion of a language factor is based on sound arguments and - we would venture to say - irrefutable evidence. All this, however, has not stopped the ICSC from latching on to the language factor as an easy way to chop General Service salaries and achieve its ultimate goal of reducing the overlap between the top of the General Service scale and the bottom of the Professional salary scale. This in turn will jeopardize any chance of restoring Professional salaries to their market level.

22. On the question of General Service pensions, the ICSC appears to be unaware of that old American adage that warns: "If it ain't broke, don't mend it". Unlike the pensions of their Professional colleagues which have, over the years, suffered a severe buffeting as a result of exchange-rate fluctuations, the pensions of General Service staff have sailed a relatively smooth course for the past 30 years. The ICSC, in its wisdom, has now decided that the only way of ironing out the inequities between the Professional and General Service system of pensions is to disrupt the latter. An effective mechanism was found in the staff assessment, which forms part of pensionable remunerations but does not affect take-home pay. An arbitrary reduction of General Service staff assessment has led to a drop of approximately 7 per cent in pensions. Again, by lowering General Service pensions, the ICSC is effectively stalling the improvement of Professional pensions.

23. Not only are the above measures unfounded and unfair on General Service staff, but they place the future of UNIDO in question. With the advent of word processors and personal computers, the role of many General Service staff has shifted. Secretaries are no longer copy-typists/receptionists, but can and do provide valuable technical support to supervisors. Many General Service staff work in a team with their Professional colleagues, and - as a result of an acute understaffing problem in some areas - perform a number of tasks which were hitherto the responsibility of Professionals. If the conditions of service of the General Service are allowed to deteriorate, this will inevitably have repercussions on the quality of candidates for General Service posts. UNIDO may well see itself suffering from a brain-drain, as its brightest young assistants accept employment in the more enlightened multinational organizations.

24. The Director-General is not obliged to implement ICSC recommendations for the establishment of General Service salary scales. If the Industrial Development Board, for example, were to recognize the maintenance of the language factor as both justified and desirable for Vienna, the Director-General could simply decide accordingly. A number of other measures were proposed by ICSC which modify the current methodology for General Service salary surveys, and since the sole purpose of their implementation would be to reduce artificially and arbitrarily the level of General Service salaries, the Board may wish to examine these in more detail. It should be recalled that the current methodology was agreed upon by Member States as the most appropriate and equitable manner of determining General Service salaries. As far as the staff is concerned, nothing has materialized to justify a change.

III. FOLLOW-UP TO PREVIOUS STAFF STATEMENTS

25. While the staff of UNIDO welcomes the opportunity to share its thoughts with the Member States on a number of concerns close to the hearts of the staff, it cannot help feeling disappointed at the absence of follow-up to its suggestions and proposals. The expressions of interest on the part of members of the policy-making organs are indeed gratifying: translated into concrete action, such expressions would be deeply satisfying.

26. In its statement to the Industrial Development Board at its eighth session (IDB.8/49), the staff raised a number of important issues under agenda item 10: Personnel matters. Since this particular

item does not figure in the agenda of the tenth session, the staff does not have the opportunity to submit its views afresh on such matters as the continuous abuse of secondment practices, the situation of staff in the Languages and Documentation Division and the extremely serious system-wide issue of Professional salaries and pensions.

27. In the statement of the staff submitted to the Board at its eighth session (IDB.8/49) the staff urged Member States, in the interests of integrity and equity, not to impose external restrictions on the contract extensions of their nationals, so that the universal criteria of good performance and availability of posts could be applied regardless of nationality. To our deep regret this appeal has gone unheeded both by those Member States which (management maintains) are insisting on bogus secondment arrangements and by the rest of the Member States who could have pressed for fair treatment for all.

28. Likewise, the staff is saddened that, although noises have been heard in various quarters, the limbo situation of staff in the Languages and Documentation Division of UNIDO, as described in document IDB.8/49, is still unresolved.

IV. CONCLUSION

29. In view of the heavy agenda before the Industrial Development Board, it may be unrealistic for staff to expect a lengthy dialogue with Member States on the various issues raised in the current statement. And yet the well-being of the staff, its enthusiasm and dedication are fundamental to the success of UNIDO. Discussions on the UNIDO environment programme, the external debt and industrial development or preparations for the fifth session of the General Conference will only amount to so many words if the whole-hearted commitment of the staff is lacking. The problems of the staff are real. Sweeping them under the carpet may be the diplomatic solution, but in the long run will prove the downfall of the very Organization which the Members of the Industrial Development Board have gathered together at its tenth session to save.